

## Applying The Coase Theorem



Law and Economics-Charles W. Upton

## *Sturges v. Bridgeman*

- For more than 60 years, a confectioner used two mortars and pestles. A doctor moved next door.



Applying the Coase Theorem

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- For more than 60 years, a confectioner used two mortars and pestles. A doctor moved next door.
- All was peace and harmony, until the doctor built a consulting room right against the kitchen.



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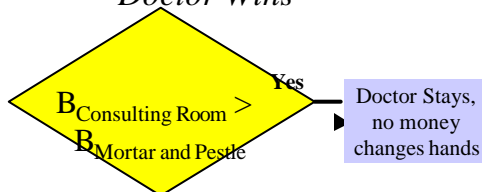
## *Sturges v. Bridgeman*

- For more than 60 years, a confectioner used two mortars and pestles. A doctor moved next door.
- All was peace and harmony, until the doctor built a consulting room right against the kitchen.
- The court ruled for the doctor, but the ruling makes no difference.



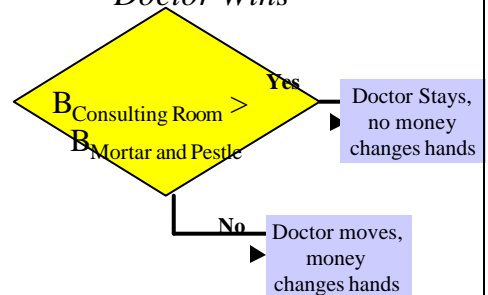
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## *Doctor Wins*

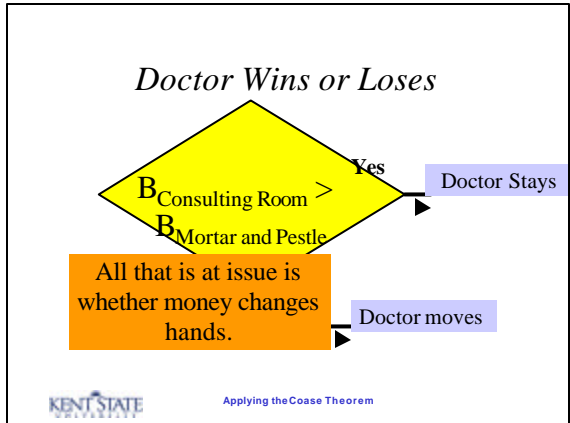
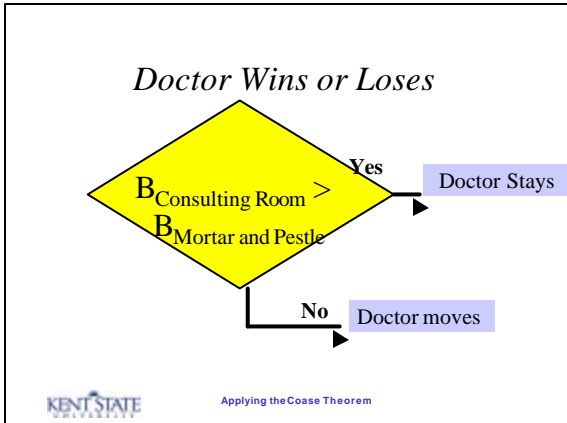
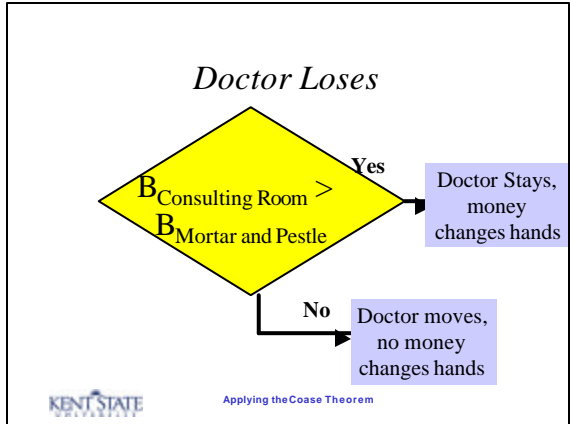
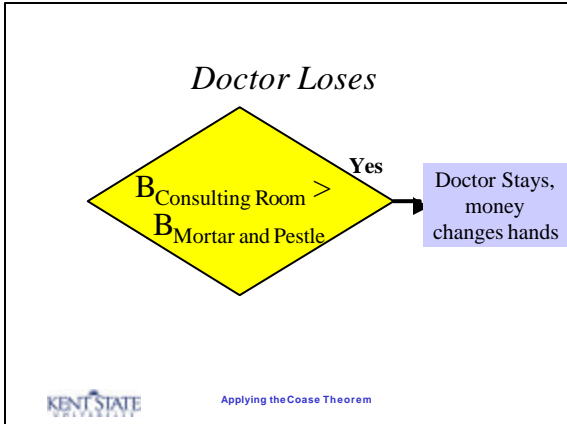


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## *Doctor Wins*



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### Cooke v. Forbes

- Coca nut fiber matting was hung out to dry after being bleached.

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- The fumes were dreadful.
- The neighbor asked for a restraining order.



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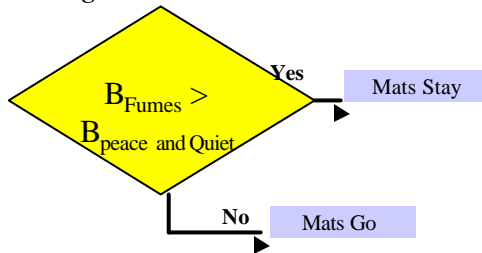
### *Cooke v. Forbes*

- Coca nut fiber matting was hung out to dry after being bleached.
- The fumes were dreadful.
- The neighbor asked for a restraining order.
- He did not get it, but got the right to sue for damages when the smell occurred.



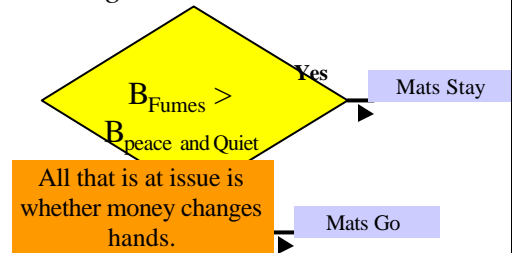
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### *Neighbor Wins or Loses*



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### *Bryant v. Lefever*

- Two houses of the same size. One house was torn down and rebuilt. It then caused the chimney of the original house to smoke.



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### *Bryant v. Lefever*

- Two houses of the same size. One house was torn down and rebuilt. It then caused the chimney of the original house to smoke.
- Bryant sued and won £40 in damages. The appeals court reversed on grounds that the plaintiff was causing the damages.



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### *Bryant v. Lefever*

- Two houses of the same size. One house was torn down and rebuilt. It then caused the chimney to fall on the neighbor's house. He sued the neighbor. The court ruled in his favor. He appealed. The court ruled in his favor. The plaintiff won.

But who really caused the problem? Both did. The decision is one of setting property rights, not in terms of determining the ultimate decision.



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### *Bass v. Gregory*

- The Cellar of the Jolly Angler was used for brewing and the air was then vented into an abandoned well on the property of the neighbor.



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- The Cellar of the Jolly Angler was used for brewing and the air was then vented into an abandoned well on the property of the neighbor.
- The defendant boarded up the well, and thus rendered the Cellar unusable.



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## *Bass v. Gregory*

- The basic question was whether the Jolly Angler had the right to a current of air.
- The court said *yes*, using the doctrine of lost & found. This is a different result than in *Bryant v. Lefever*.

Doesn't matter. All that is at issue is whether money changes hands.



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End

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